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SIPDIS

NSC FOR TSHANNON AND CBARTON  
ENERGY FOR DPHUMPHREY AND ALOCKWOOD

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TAGS: [EPET](#) [ECON](#) [VE](#)  
SUBJECT: NEW PDVSA BOARD ANNOUNCED

REF: A. (A) CARACAS 731

[1](#)B. (B) CARACAS 851

Classified By: AMB. CHARLES S. SHAPIRO, FOR REASONS 1.4 (b) and (d)

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SUMMARY  
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[1](#)1. (C) A new, expanded Petroleos de Venezuela (PDVSA) board was announced on March 12. The change is not likely to have any near term effect upon operations. The board, the ninth named in the five years of the Chavez government, will continue to be led by Ali Rodriguez and will have three vice presidents with specific corporate responsibilities, two internal directors and three external directors. One of the three newly-named board members is Jose Rojas, a well-respected former Finance Minister and Venezuelan representative to the Inter-American Development Bank. In other PDVSA news, there are reports that the photos of company personnel who signed in favor of a referendum on the Chavez presidency will be posted as "enemies of the revolution." Some senior employees may be fired while others will be denied bonuses or raises unless they repudiate their signatures, according to a former senior PDVSA official aligned with the opposition. End Summary.

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YET ANOTHER NEW BOARD  
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[1](#)2. (U) On March 12, Minister of Energy and Mines Rafael Ramirez announced the appointment of yet another new board for Petroleos de Venezuela (PDVSA), Venezuela's state-owned oil company. The board, the ninth named in the five years of the Chavez government, has been expanded to ten members and will now include: Ali Rodriguez, President; Vice Presidents Jose Rojas, Felix Rodriguez and Ivan Hernandez; internal directors Dester Rodriguez and Nelson Martinez; and external directors Luis Vierma, Nelson Nunez, Rafael Rosales and Victor Alvarez\_.

[1](#)3. (U) Jose Rojas, Ivan Hernandez and Victor Alvarez\_ are the new members of the Board. Jose Rojas served as Finance Minister from 1999-2001 and then served for two years as the Venezuelan representative to the Inter-American Development Bank. Ivan Hernandez is currently General Manager of the Paraguana Refining Complex. Hernandez had previously retired from that post and was requested to return during the December 2002 strike to lead the effort to re-start Venezuela's largest refinery complex. Victor Alvarez\_ formerly held positions as Vice Minister of Industry and President of the state-owned Foreign Commerce Bank. He has also served as the Venezuelan representative to the FTAA negotiations. We do not yet know if this appointment will affect that assignment.

[1](#)4. (U) In what has been announced as yet another reorganization of PDVSA ) but is, in fact, virtually a return to the corporate structure in place in December 2002 ) the three Vice Presidents will have specific corporate as opposed to regional management responsibilities. Jose Rojas will manage finance; Hernandez will manage national and international refining; and Felix Rodriguez, originally appointed to the board in 2003 as manager of the so-called western production area, will now manage national exploration and production.

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BUT UNREST CONTINUES IN PDVSA  
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[1](#)5. (C) In other PDVSA news, Jorge Kamkoff, PDVSA's Senior Vice President at the time of the December 2002 oil strike, informed econoff that 33 percent of current PDVSA staff in Caracas, 65 percent in the western operational area, and 48 percent in the east are reported to have signed petitions in support of the referendum on Chavez's presidency. According to Kamkoff, any senior executives who signed may well be dismissed from the company but the number of lower ranked signatories is too large to warrant dismissal. Instead,

PDVSA personnel have been told that they will not receive a planned March bonus or a salary increase due to go into

effect in April unless they repudiate their signatures. In a more activist mode, we have been told that members of the "Bolivarian circles" are posted outside PDVSA's Caracas headquarters with copies of the signature list. Kamkoff added that there are reports that photos of people who signed will also be posted around PDVSA and named as "enemies of the revolution." Kamkoff characterized this as the continuing effort by lower lever PDVSA true believers to get rid of personnel who have not shown sufficient revolutionary fervor.

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COMMENT  
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16. (C) There have been rumors of changes in the PDVSA board for some time now. In fact, given that these rumors included speculation that representatives of the Ministries of Infrastructure and Planning and Development would be put on the board, the announced changes are somewhat better than we had expected. While the board retains military and union representations, the only non-oil industry additions are finance professionals. Jose Rojas, in particular is well thought of and has ample financial experience. This may lead to much needed improvements in the financial controls of the company. On the other hand to the extent that the board has oil sector professionals in it, they are men who are invested in the political objectives of the Chavez "revolution. This is not a board that is likely to spur expansion of PDVSA's own production. In the end, political control is more important than unleashing the industry. PDVSA is increasingly an off-budget cash cow for various GOV "social" (read electoral) missions. Over the next six months, at a minimum, we think this is likely to be a top priority for Chavez, and that this board will give him what he wants. Finding the money may be the task of the finance professionals now on the board.

17. (C) We would also note that PDVSA remains uncomfortably placed as Chavez threatens the use of an "oil weapon" in any confrontation with the USG. After first raising it in his February 27 speech ref (a), he sounded a milder note in the signing ceremony for the award of the Deltana Platform natural gas concession to ChevronTexaco (ref b). However, in a March 13 interview with the New York Times, he stressed that he would not accept any effort to remove him by force and that this would lead to the price of oil rising to \$50 dollars per barrel. While Chavez may be uncomfortable with Venezuela's close oil ties to the U.S., there is no near to middle term alternative for Venezuela. Indeed, according to press reports, Ministry of Energy and Mines Vice Minister for Hydrocarbons Luis Vierma (an old PDVSA hand) while in Washington spoke of deepening the bilateral energy relationship and of increasing Venezuela's refining capacity in the U.S. Amidst these contradictory signals, and with the current priority being for PDVSA to produce short-term revenue at the expense of new investment either in Venezuela or elsewhere, we see the new board as incapable of undertaking major new managerial initiatives to put the troubled giant back on its feet.

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